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C O N F I D E N T I A L SECTION 01 OF 03 SINGAPORE 000128

SIPDIS

NEW DELHI FOR EHRENDREICH
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E.O. 12958: DECL: 02/11/2019
TAGS: [EINV](#) [ENRG](#) [ECPS](#) [ECON](#) [SN](#)
SUBJECT: LACK OF TRANSPARENCY CAN BE A CHALLENGE FOR U.S.
FIRMS IN SINGAPORE

REF: A. 08 SINGAPORE 1254
[1](#)B. 07 SINGAPORE 1134
[1](#)C. 08 SINGAPORE 1168
[1](#)D. 07 SINGAPORE 1167
[1](#)E. 08 SINGAPORE 1037
[1](#)F. 07 SINGAPORE 1892

Classified By: Charge d'Affaires Daniel L. Shields for reasons 1.4 (b)
and (d)

[1](#)1. (C) SUMMARY: Some U.S. and other foreign firms have found the lack of transparency from the Singapore government and its government-linked corporations (GLCs) a serious challenge in operating in Singapore. The GOS maintains a strong grip on the economy, whether through the Economic Development Board's (EDB) aggressive efforts to entice foreign investment here, or through sovereign wealth fund Temasek Holdings and other GLCs, which dominate key parts of the domestic market and infrastructure. While most foreign firms find Singapore among the world's easiest places to do business, for others the business and regulatory environment can be maddeningly non-transparent. Companies in direct competition with Temasek or another powerful GLC can face severe disadvantages.

[1](#)2. (C) SUMMARY (cont.): This cable relates the experiences of three companies in different business sectors that have been negatively affected by insufficient transparency. First, Marina Bay Sands, which is building an "integrated resort" (IR) complex (ref A) suffered a serious setback in construction due to what it characterized as a material omission in the GOS's request for proposal (RFP) process. The second case involves the ongoing difficulties of foreign telecom providers to access local exchanges (ref B and C). The third involves Island Power's long-fought battle to access an offshore gas pipeline (ref D, E and F). END SUMMARY.

[1](#)3. (C) COMMENT: Taken together, these cases highlight that, notwithstanding Singapore's generally highly positive foreign investment climate, some foreign companies face costly obstacles due to a lack of transparency, particularly when they are up against Temasek and other GLCs. It appears that in some situations, well-intentioned GOS agencies are incapable of enforcing laws and regulations protecting competition and foreign firms in the face of powerful and well-connected local interests. In such cases, the GOS vacillates between trying to placate a foreign investor, so Singapore maintains its reputation as a safe place to invest, and appeasing the GLC. This usually results in protracted and opaque negotiations and delaying tactics with the GOS saying it will support the foreign company and uphold the spirit of competition, while issuing directives or parsing agreements in a way that ultimately favors the GLC. END

COMMENT.

Marina Bay Sands: Material Omission in RFP

¶4. (SBU) When the GOS issued its request for proposal (RFP) in 2006 to solicit bids to build an "integrated resort" (IR) in Singapore's central business district, it left out material information pertaining to the soil and build site, George Tanasijevich, Vice President and General Manager for Marina Bay Sands Singapore, told Econoffs. When U.S.-based parent company Las Vegas Sands (LVS) bid on the IR project, it was one of 12 other firms, including Singapore-based companies, invited to submit proposals. According to Tanasijevich, none of the bidders was permitted to conduct its own soil samples or surveys of the site, which was located on reclaimed land that was developed by the GOS several years earlier. Instead, bidders relied on soil samples provided by the GOS.

¶5. (SBU) LVS won the bid in 2006 and embarked on one of its most ambitious and expensive projects to date, anticipating that the IR would open in 2009. However, as Marina Bay Sands (MBS) began work on the foundation, the GOS, while doing construction on a common services tunnel, discovered a "sea mole," or break wall, buried within the reclaimed land beneath the building site, making the IR site unstable. Removing the sea wall cost MBS S\$122 million (about US\$82 million) and added 100 days to the IR project.

¶6. (C) The GOS informed MBS of the sea mole immediately after it was discovered, Tanasijevich stated. He does not

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believe that the Singapore Tourism Board, the main GOS interlocutor on the IR project, had intentionally misled bidders. However, he noted that the bore holes for the soil samples provided during the RFP went around the sea mole and a Mass Rapid Transit (MRT) tunnel built by the Land Transport Authority runs near the outside of the sea mole. It is likely that an office in the GOS knew about the sea mole, but did not communicate it to the Singapore Tourism Board, Tanasijevich surmised. MBS is in discussions with the GOS about how it might compensate the company for costs stemming from the oversight in the RFP. MBS has handled the issue quietly in the hope of avoiding a lawsuit, Tanasijevich added. The company did not publicly discuss the sea mole issue even when there was substantial public and press scrutiny regarding delays in the IR project and how they might negatively affect Singapore and its economy (ref A).

Telecoms: Still No Clarity on Exchanges

¶7. (SBU) Temasek-owned telecom provider SingTel announced in 2006 that it planned to close approximately half its local exchanges, the places where rival providers theoretically can connect to SingTel's network. However, SingTel has yet to identify which exchanges it intends to close, preventing competing telecom providers from building out their networks to an exchange without risking that it may soon close. Post and USTR have raised this issue numerous times, both bilaterally and through the annual review process of the U.S.-Singapore Free Trade Agreement (FTA). The Infocomm Development Authority (IDA) responded by requiring SingTel to provide 18-months notice before closing an exchange (ref B), but USTR has argued such a time frame is still insufficient for companies to recover expenses associated with building a network to a closed exchange. Industry was disappointed that IDA did not require SingTel to compensate providers for costs associated with closed exchanges. USTR requested a "safe harbor" list of exchanges that would remain open (ref C), but SingTel and IDA have yet to produce such a list.

¶8. (SBU) SingTel has also refused to clarify procedures for other providers to interconnect with its network and IDA has

been unable or unwilling to press for more transparency. One telecom provider told Econoff that during a network expansion to a local exchange, SingTel continually raised new requirements and barriers to complete the interconnection, making the process as difficult and costly as possible. The company originally planned to build out to seven local exchanges, but after the first was completed at double the cost and time, it decided against further expansion. IDA's own regulations and procedures on network expansion are antiquated and unsuited to current technology, including requiring all communication between parties to be done via fax rather than a more convenient (and modern) internet-based platform.

Island Power: Unable to Access Offshore Gas Pipeline

19. (C) For about six years Singapore Temasek and its subsidiaries have deliberately and successfully blocked efforts by InterGen and local subsidiary Island Power to access an offshore gas pipeline between Indonesia and Singapore. While the GOS was taking public steps to encourage competition and liberalize its gas market, Temasek was working hard to block potential competitors (ref D), claimed Michael Reading (protect), Managing Director of Island Power. Reading said that Temasek at various points threatened personal defamation lawsuits, claimed it "controlled the government," and pledged to "frustrate" Island's efforts to operate in Singapore. He said the GOS and the Energy Market Authority (EMA) seemed unable or unwilling to enforce its own laws to grant Island access to the pipeline, prompting Island to ask the GOS early in the process whether it wanted the foreign firm in Singapore, Reading stated. Island reportedly offered to walk away from the project quietly if Island (i.e., foreign competition) was not welcome. However, EMA assured Island that it wanted its business in Singapore and that it would work on granting access to the pipeline, Reading stated. Despite those assurances from EMA, Island is still fighting for access years later (ref E).

110. (C) It took a year for EMA to respond to an application Island filed requesting that EMA step in and finally decide whether Island could access the pipeline. EMA's response was

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a published directive that stated Island would have to secure a new gas sales agreement from a supplier in Indonesia and negotiate an allocation agreement with Gas Supply Pte Ltd, a subsidiary of Temasek, in order to share the pipeline. (Note: Island lost the contract with its original Indonesian gas supplier in 2007 due to its inability to secure access to the pipeline (ref F). End note.) EMA stated that the allocation agreement with Gas Supply would be essential to the final decision-making process to prevent future contractual disputes that might negatively affect the downstream supply of gas to Singapore. However, the allocation agreement would require Island to go back into negotiations with Temasek, the company that from the beginning opposed Island's entry into the domestic power sector. Such negotiations would likely result in years of litigation, Reading said.

111. (C) Reading thought that EMA, which was established in 2001 as an independent statutory board under the Ministry of Trade and Industry (MTI), was well intentioned but seemed to bow to considerable pressure from Temasek. A consultant at public relations firm Fleishman-Hillard helped arrange meetings for Island with members of Parliament the consultant believed might be sympathetic to Island's plight. The MPs, who were all members of the ruling People's Action Party (PAP), indicated that Island could not rely on MTI (and EMA) to stand up to Temasek because MTI Minister LIM Hng Kiang is "weak" and not part of the PAP "inner circle," Reading claimed.

¶12. (C) Meanwhile, in September 2008, the Economic Development Board (EDB) began threatening to revoke Island's permits for the site and gas interconnection because the company had not developed the site as planned. Reading predicted that without a permit and hope of accessing the offshore pipeline, Island would be forced to sell its assets to Temasek at a substantial loss. Island would essentially be frustrated into walking away from the investment, Reading concluded. (Note: Intergen was formerly a U.S. company, but as of October 2008 it is 100-percent foreign owned, so Post is no longer engaged in advocacy for the firm. End note.)

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